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COLDSTREAM MINES LIMITED / ANNUAL REPORT 1972

Contents

ANNUAL MEETING

The Annual Meeting of Coldstream Mines Limited will be held on Thursday, April 26, 1973 at 2:30 p.m. in the British Columbia Room of The Royal York Hotel, Toronto, Ontario.

Directors' Report to Shareholders

Your Directors are particularly pleased to present this report for the year ended December 31, 1972, which is the first annual report of your Company since its formation on December 30, 1971 by the amalgamation of North Coldstream Mines Limited and Tontine Mining Limited.

A new method of financial reporting has been adopted in this report by including in the accompanying consolidated financial statements of the Company that proportion of the 1972 earnings of International Mogul Mines Limited which relates to the Company's holdings in shares of International Mogul. In more technical terms, the equity accounting method of presentation has been adopted. It is our opinion that this method presents the most meaningful picture of the Company's financial position because its substantial shareholdings in International Mogul represent effective control of that company.

Consolidated net income of your Company for 1972, on the equity basis of accounting described above, amounted to $1,230,000 or 61¢ per share. Combined net earnings of the two predecessor companies for the year 1971, immediately prior to amalgamation, on the same equity basis of accounting, would have amounted to $162,000 or 8¢ per share of the Company.

Your Company beneficially owns 801,400 shares of International Mogul being 30.7% of the issued shares and has agreed to purchase, subject to your approval, an additional 194,185 shares which will increase its holdings to 38.2%. The vendors of these additional shares are controlling shareholders of the Company and companies associated with International Mogul. The consideration payable by the Company consists of 852,883 of its shares, to be issued from treasury. The basis of exchange is related to the average ratio between the closing bid price on The Toronto Stock Exchange of the Company's shares and shares of International Mogul for a period of approximately three months immediately prior to the dates of the respective purchase agreements.

The acquisition of additional shares of International Mogul was negotiated to strengthen the Company's control position and as the final step in a series of transactions which were designed to simplify the relationship existing between the Coldstream-International Mogul group of companies. These transactions included the merging of North Rankin Nickel Mines Limited and McWatters Gold Mines, Limited to form Tontine Mining Limited and the subsequent amalgamation of North Coldstream Mines Limited and Tontine Mining Limited to form your Company. Your directors believe that these steps were beneficial to the companies involved and their respective shareholders.

Consolidated net earnings of International Mogul in 1972, amounting to $4,604,000, reached a record level and based on performance to date, 1973 will be another record year. In 1972, Mogul of Ireland Limited, International Mogul's Irish subsidiary, retired the balance of its long-term debt and significant strides were made by International Mogul in establishing a firm base in Australia. These accomplishments materially strengthen the value of your Company's investment. In addition, International Mogul recently announced an initial dividend policy of a 25¢ per share annual dividend payable semi-annually as to 12½¢ per share. The first dividend of 12½¢ per share has been declared, payable on July 1, 1973. This will be a welcome supplement to the Company's cash flow. The consolidated financial statements of International Mogul for 1972 and excerpts from its Annual Report are included in this report.

During 1970 Tontine Mining Limited (one of the Company's predecessors) subscribed for 100,000 shares of Bluemount Resources Ltd. for a purchase price of $500,000. Bluemount is engaged in a large oil and gas exploration programme in Western Canada in participation with Northern Natural Gas Company of Omaha. Half of the subscription for shares of Bluemount was paid in 1970 and the balance of $250,000

was payable on December 1, 1972. Because of your Company's financial position it was decided, notwithstanding the good prospects of Bluemount, that it would be prudent to dispose of the investment prior to the time the final payment of $250,000 became due, which payment was assumed by International Mogul. The investment in Bluemount was sold to International Mogul for $75,000 less than cost, and the sale price was decided after taking into consideration the lack of success attained by Bluemount to the date of the sale. This transaction is subject to your approval. International Mogul, upon completion of the transaction, will be the largest shareholder in Bluemount holding 17.6% of the outstanding shares. Your Company will participate in any future successes of Bluemount through its holdings in shares of International Mogul.

The Company continues to hold 67% of the issued shares of City Associated Enterprises Limited which operates retail stores and a dry cleaning business in the Bahamas. City Associated's business continues to be profitable and is generating a respectable cash flow. We believe that the uncertainties which have existed in regard to the Bahamas for the past few years have begun to dissipate and the economy of the Bahamas appears to be improving. It is reasonable to expect improvement in future profits of City Associated. Recently City Associated was able to increase its banking accommodation permitting it to repay all monies owed to your Company. Its expansion in partnership with Société Commerciale de L'Ouest Africain, a large French merchandising company, is encouraging and the new "Crystal Seas" store in the International Bazaar in Freeport is a credit to our partners who manage this project.

Your Company holds 75% of the issued shares of Interscan Limited which markets a range of computer input systems in the United Kingdom, Ireland and Germany. Consolidated net income for Interscan for 1972 was $163,000 on sales of $6,502,000, and after providing for interest in the amount of $195,000. We believe that Interscan shows promise and is now established, particularly in the United Kingdom, with considerable expertise in computer input systems including optical character recognition. We have succeeded in developing a profitable company of substance and believe that your Company's objectives in this regard have been achieved. Alternative methods of financing Interscan are now being considered which will enable some recovery of your Company's investment in the near future.

The assets of your Company are significant and expanding and the primary objective of your directors is to develop a source of cash flow for your Company which will permit it to become active again in mineral exploration and development.

The Coldstream group of companies now has over 200 employees. The International Mogul group of companies employs over 700 persons.

Your Directors extend their warmest thanks to all the employees in the Coldstream group for their efforts on behalf of the Company.

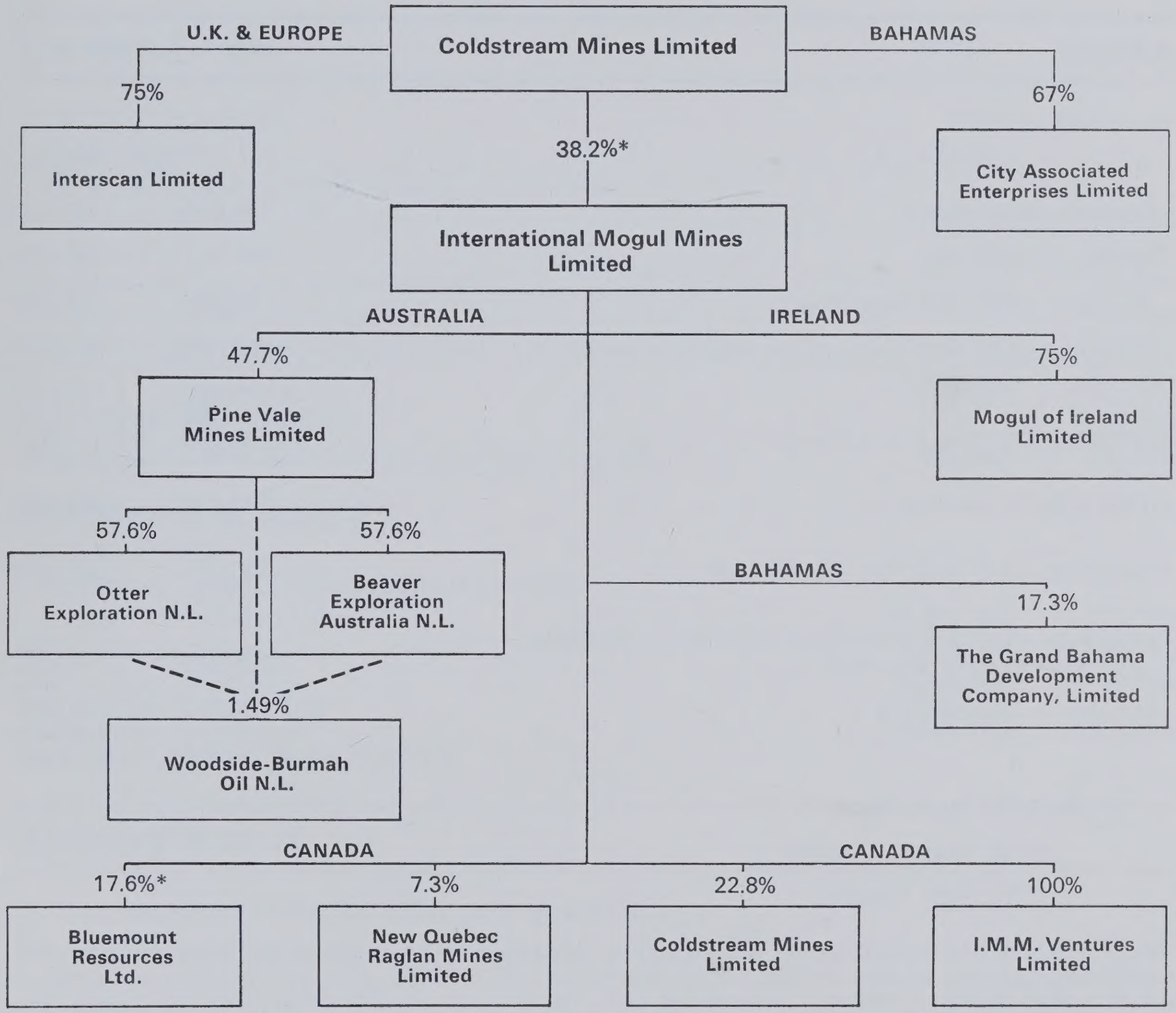
On behalf of the Board of Directors,

Chairman of the Board

President

Toronto, Ontario,
March 26, 1973.

Principal Coldstream Controlled and Associated Companies



*Assuming Shareholders' Approval

COLDSTREAM MINES LIMITED
(Incorporated under the laws of Ontario)
and its consolidated subsidiaries

Consolidated Balance Sheet

December 31, 1972
(with comparative figures at December 31, 1971)

Assets	1972	1971
CURRENT ASSETS		
Cash		$ 87,000
Accounts receivable	$ 104,000	50,000
Mortgage receivable		40,000
Due from associated companies	55,000	93,000
Inventory, at lower of cost and net realizable value	858,000	928,000
	1,017,000	1,198,000
INVESTMENTS (Notes 3, 4, 5 and 6)	14,787,000	13,419,000
FIXED ASSETS (Note 7)	384,000	398,000
MINING CLAIMS AND RIGHTS (Note 8)	830,000	800,000
EXCESS OF COST OF SHARES of Bahamian subsidiaries over book value on acquisition	2,176,000	2,176,000
	$19,194,000	$17,991,000

Approved by the Board:

"D. W. Knight", Director

"R. D. Bell", Director

Liabilities	1972	1971
CURRENT LIABILITIES		
Bank overdraft	$ 41,000	
Liabilities secured by pledge of certain investments		
Bank loans	2,400,000	$ 2,296,000
Other loan payable	648,000	568,000
Accounts payable and accrued liabilities	393,000	378,000
Due to associated companies		63,000
Principal due within one year on long-term debt	169,000	262,000
	3,651,000	3,567,000
LONG-TERM DEBT (Note 9)		169,000
INTERESTS OF MINORITY SHAREHOLDERS (Note 10)	783,000	725,000
Shareholders' Equity		
CAPITAL STOCK		
Authorized—5,000,000 shares without par value		
Issued —2,020,412 shares	12,302,000	12,302,000
RETAINED EARNINGS	2,458,000	1,228,000
	14,760,000	13,530,000
	$19,194,000	$17,991,000

Contingent Liabilities (Notes 4 and 11)

Auditors' Report

To the Shareholders of COLDSTREAM MINES LIMITED

We have examined the consolidated balance sheet of Coldstream Mines Limited and its consolidated subsidiaries as at December 31, 1972 and the statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles which, except for the change in accounting practice outlined in note 5(a), have been applied on a basis consistent with that followed by the predecessor companies in the preceding year.

Toronto, Canada
March 26, 1973.

Thorne Gunn & Co.
Chartered Accountants

COLDSTREAM MINES LIMITED
and its consolidated subsidiaries

Consolidated Statement of Income and Retained Earnings

Year ended December 31, 1972
(with comparative figures for 1971)

	1972	1971
Sales	$2,427,000	$2,531,000
Operating expenses	2,072,000	2,240,000
Income from retail operations	355,000	291,000
Equity in net income of effectively controlled companies (Note 5)	1,430,000	38,000
	1,785,000	329,000
Administrative and general expenses	89,000	147,000
Interest on long-term debt	24,000	41,000
Other interest, net	159,000	173,000
Net loss (gain) on investments	72,000	(18,000)
Net loss (gain) on currency revaluations	55,000	(136,000)
Depreciation	46,000	46,000
Exploration expenditures and related costs on mining claims abandoned		30,000
Write down of mortgage receivable		35,000
	445,000	318,000
Other income	20,000	
	425,000	318,000
Income before interests of minority shareholders	1,360,000	11,000
Interests of minority shareholders in net income of subsidiaries	130,000	142,000
NET INCOME (LOSS) FOR THE YEAR	1,230,000	(131,000)
Retained earnings at beginning of year	1,228,000	1,359,000
RETAINED EARNINGS AT END OF YEAR	$2,458,000	$1,228,000
EARNINGS (LOSS) PER SHARE	$0.61	($0.06)

COLDSTREAM MINES LIMITED
and its consolidated subsidiaries

Consolidated Statement of Source and Application of Funds

Year ended December 31, 1972
(with comparative figures for 1971)

	1972	1971
SOURCE OF FUNDS		
Income before interests of minority shareholders	$1,360,000	$ 11,000
Items not involving current funds		
Depreciation	46,000	46,000
Equity in net income of effectively controlled companies	(1,430,000)	(38,000)
Other		51,000
	(24,000)	70,000
Cost of investments sold	281,000	129,000
Recovery of advances to subsidiary, not consolidated		186,000
Reduction of mortgage receivable		65,000
Increase in long-term debt		68,000
Proceeds from issue of shares of a subsidiary to minority shareholders		25,000
	257,000	543,000
APPLICATION OF FUNDS		
Purchase of fixed assets	32,000	72,000
Investment in shares of effectively controlled company		130,000
Investment in other shares	140,000	8,000
Increase in advances to subsidiary, not consolidated	79,000	
Dividend paid by subsidiary company to minority shareholder	72,000	40,000
Deferred exploration and development	27,000	59,000
Reduction of long-term debt	169,000	
Mining claims and rights	3,000	
	522,000	309,000
Increase (decrease) in working capital position	(265,000)	234,000
Working capital deficiency at beginning of year	2,369,000	2,603,000
WORKING CAPITAL DEFICIENCY AT END OF YEAR	$2,634,000	$2,369,000

Notes to Consolidated Financial Statements

December 31, 1972

1. Formation

The Company is the continuing corporation resulting from the amalgamation under the laws of Ontario on December 30, 1971 of North Coldstream Mines Limited and Tontine Mining Limited.

Comparative figures for 1971 have been prepared from the combined consolidated accounts of the predecessor companies.

2. Basis of Consolidation

The accounts of the Company's Canadian subsidiary, 228815 Investments Limited, and of the Bahamian subsidiaries, Stream Bahamas Limited, City Associated Enterprises Limited and Spotless Cleaners Limited are consolidated in these financial statements. Stream Bahamas, which is wholly owned, owns 67% of City Associated which in turn owns 75% of Spotless Cleaners.

In these financial statements, current assets, current liabilities and long-term debt have been translated from Bahamian to Canadian dollars at the prevailing rates of exchange as at December 31, 1972 and 1971 respectively. Other assets have been translated at the average rate of exchange for the years in which they were acquired. Income and expense items have been translated at the average rate of exchange during each year except that depreciation has been translated at the same rates as related assets.

3. Investments

The investments are as follows:

	1972	1971
Subsidiary not consolidated, at cost (note 4)	$ 1,535,000	$ 1,456,000
Effectively controlled companies accounted for on an equity basis (note 5)	13,088,000	11,658,000
Other shares and advances, at cost or less	164,000	305,000
	$14,787,000	$13,419,000

4. Subsidiary not Consolidated—Interscan Limited

The accounts of Interscan Limited, which is 75% owned by the Company, have not been consolidated because management is of the opinion that separate financial statements which are included with this report are more meaningful under the present circumstances.

The investment in Interscan is as follows:

	1972	1971
Shares, at cost	$ 392,000	$ 392,000
Advances and accrued interest	1,143,000	1,064,000
	$1,535,000	$1,456,000

By agreement dated March 26, 1973 the Company agreed to continue to provide Interscan with financial support as follows:

(a) to make advances as required up to a maximum of $1,500,000, including the present advances and present and future accrued interest, until June 30, 1974. The rate of interest on such advances which is now 10½% will be adjusted on September 26, 1973 and March 26, 1974 and will be at a rate 2% above the then prevailing Euro-dollar six month interest rate;

(b) to guarantee bank advances not to exceed $750,000 to June 30, 1974 for temporary financing in respect of sale of all computer input systems in Europe provided acceptable financing has been arranged by purchasers to pay for the systems within 90 days of unconditional acceptance of the systems by the purchasers and

(c) to continue its guarantee of advances from an associated company directly to Interscan until December 31, 1973, which advances at December 31, 1972 amounted to $864,000.

The consolidated statement of income and retained earnings includes interest income from Interscan of $79,000 in 1972 and $134,000 in 1971.

The Company's portion of the consolidated income of Interscan and its subsidiaries for the year ended December 31, 1972 amounted to $122,000 (1971, loss of $791,000) and the Company's share of the accumulated losses of Interscan and its subsidiaries amounted to $934,000 as at December 31, 1972.

5. Effectively Controlled Companies

These companies are as follows:

	1972	1971
International Mogul Mines Limited	$12,903,000	$11,490,000
Solomon's Mine Limited	185,000	168,000
	$13,088,000	$11,658,000

(a) International Mogul Mines Limited

The investment in International Mogul represents a 30.7% interest in the issued common shares of that company. These shares of International Mogul cost $11,490,000 and had a quoted market value of $10,318,000 and $6,331,000 as at December 31, 1972 and 1971 respectively.

In 1972 the Company commenced accounting for this investment on an equity basis in accordance with recent recommendations of The Canadian Institute of Chartered Accountants concerning long-term intercorporate investments. The Company's share of net income of International Mogul for 1972 amounting to $1,413,000 has been included in the consolidated statement of income and a like amount has been added to the original cost of the investment. If the Company had adopted this basis of accounting for its investment in International Mogul in 1971 the share of net income of International Mogul would have been $293,000 and the Company's net income for that year would have been $162,000 or 8¢ per share.

The cost of the investment in International Mogul exceeds the underlying equity in the net book value of the assets of that company by $2,900,000. The Company is continuing to carry this excess in the cost of the investment as management is of the opinion that the value of the investment is greater than that indicated by the underlying equity in the net book value of the assets.

Subsequent to December 31, 1972 the Company agreed, subject to shareholders approval, to purchase an additional 194,185 shares of International Mogul in consideration for which the Company will issue 852,883 treasury shares. If the shareholders approve the purchase of these further shares the Company will then own 38.2% of the issued common shares of International Mogul.

(b) Solomon's Mine Limited

City Associated owns a 40% interest in Solomon's Mine acquired in 1971 at a cost of $130,000. The Company also accounts for this investment on an equity basis and its share of net income of Solomon's Mine amounted to $17,000 and $38,000 for 1972 and 1971 respectively.

6. Other Shares

(a) Bluemount Resources Ltd.

By agreement dated November 30, 1972 the Company assigned to International Mogul its obligation to take up and pay for 50,000 shares of Bluemount Resources at the price of $5 per share. On the same date the Company agreed to sell to International Mogul 50,000 shares of Bluemount Resources previously acquired at the price of $5 per share. The Company will receive $175,000 from International Mogul for the assignment of its obligation and the sale of 50,000 shares which it owned. These transactions, which are subject to the approval of shareholders, have been reflected in the consolidated financial statements and the resulting loss of $75,000 has been included in the statement of income.

(b) Crystal Seas Enterprises Limited

City Associated owns a 25% interest in Crystal Seas acquired in 1972 at a cost of $140,000. The operations of Crystal Seas commenced in early 1973.

7. Fixed Assets

(a) Summary:

	1972	1971
In the Bahama Islands, at cost		
Buildings	$150,000	$149,000
Equipment	314,000	300,000
Leasehold improvements	143,000	131,000
	607,000	580,000
Less accumulated depreciation	223,000	182,000
	$384,000	$398,000

(b) Depreciation:

These assets are depreciated on a straight line basis at the following rates:

Buildings	2½%
Equipment	6⅔% to 33⅓%
Leasehold improvements	10% to 20%

8. Mining Claims and Rights

	Book Value at Cost or Less	Exploration Expenditures Thereon	Total
Claims and rights in the Porcupine and Thunder Bay Mining Divisions, Ontario, Canada	$ 28,000	$693,000	$721,000
Interests in Irish properties		55,000	55,000
Oil and gas syndicate participation, Southwestern Ontario		54,000	54,000
	$ 28,000	$802,000	$830,000

9. Long-Term Debt

Long-term debt consists of:	1972	1971
8½% bank loan, secured	$134,000	$258,000
6½% promissory notes	35,000	70,000
9% promissory note		103,000
	169,000	431,000
Less current portion included in current liabilities	169,000	262,000
	NIL	$169,000

In February 1973 a new bank loan was negotiated by City Associated Enterprises Limited in the amount of Bahamian $250,000. This loan matures in October 1975 and presently bears interest at the rate of 8½% and is secured by a registered demand debenture.

10. Interests of Minority Shareholders

Minority interests are attributable to the minority shareholders of:	1972	1971
City Associated Enterprises Limited	$718,000	$637,000
Spotless Cleaners Limited	65,000	88,000
	$783,000	$725,000

11. Contingent Liability

The Company has guaranteed a bank loan of $75,000 made to a company in which it has an investment.

Other contingent liabilities are disclosed in Note 4.

INTERNATIONAL MOGUL MINES LIMITED

Excerpts from 1972 Annual Report—with Consolidated Financial Statements

The Year at a Glance	1972	1971*
Net Earnings	$ 4,604,000	$ 953,000
Shares Issued and Outstanding	2,607,112	2,607,112
Earnings Per Share	$1.77	$0.37
Cash Flow Per Share	$2 45	$1.02
Proven and Indicated In Place Ore Reserves (tons)	8,420,000	9,080,000
Ore Grade—zinc %	7.05	7.43
—lead %	2.73	2.81
Long-Term Debt Repaid	$ 6,569,000	$ 5,117,000
Shareholders' Equity	$32,586,000	$27,982,000
Per Share	$12.50	$10.73

*Restated for comparative purposes

"Consolidated net income for the year amounted to $4,604,000 or $1.77 per share. This includes income from extraordinary items of $173,000 or 7¢ per share. In 1971 consolidated net income was $953,000 or 37¢ per share after an extraordinary loss on investments of $1,409,000 or 54¢ per share.

1972 has been the most profitable year in the history of International Mogul and present indications are that 1973 will be even more profitable. Apart from profit performance, your Company has never been financially stronger and the establishment of a firm base in Australia with considerable assets and expertise in mineral, oil and gas exploration has provided excellent opportunities for future growth in that exciting part of the world. The Company is now clearly in a position to pursue mineral exploration more aggressively than in the past and it has already expanded its exploration activities into Continental Europe."

"In 1972 we increased our investment in Australia. The assets and activities of your Company in Australia now represent a significant part of your Company's operations. During the past few years your management has become convinced that there are significant rewards to be obtained in oil and gas exploration. Our investment in Bluemount Resources was our initial entry into this area, and we believe that the future world energy requirements justify your Company increasing its activities in the search for oil and gas. We now have the opportunity to participate in the growth of the oil and gas business in Australia and we expect this to play an important role in your Company's future."

"The Bahamas will become an independent country on July 10, 1973. We believe that the uncertainties which have existed in regard to the Bahamas for the past few years have begun to dissipate. The Grand Bahama Development Company continued to sell real estate during 1972, although its profits declined. The Development Company has diversified its operations and is now engaged in real estate development in the Canary Islands and has acquired 10,500 acres of real estate in Florida not far from Walt Disney World. We continue to believe that our investment in the Development Company will be a profitable one for International Mogul."

"Mogul's primary business is to seek out and develop natural resources. Continuing sources of cash flow will be sought to sustain an expanded programme of exploration and acquisitions in both the mineral and oil and gas areas. Mogul is actively seeking investment opportunities to fulfil this need. In addition exploration activities for both minerals and oil and gas will be accelerated.

The Company is negotiating with two national underwriting firms for the issue and sale of up to $6,000,000 of cumulative, redeemable, convertible preference shares with a par value of $20 each. A preliminary prospectus relating to the issue is expected to be filed in the near future with the various provincial securities commissions. The proceeds from this issue will supplement the Company's ability to expand its primary business of developing natural resources."

"Now that the long-term debt of Mogul of Ireland has been repaid in full and a cash flow will be generated from Ireland, an initial dividend policy of a 25¢ annual dividend per common share, payable semi-annually on July 1 and January 1 as to 12½¢ per common share, has been established. On March 23, 1973 your directors declared the first semi-annual dividend of 12½¢ per common share, payable on July 1, 1973 to shareholders of record on June 1, 1973.

Your Company believes that its initial dividend policy should be modest until its future cash flow needs have been secured as discussed above.

In reviewing the financial position of the Company and its earnings, shareholders should be aware of the extent of International Mogul's material investments which are not income bearing but which do have potential growth. These include the Australian investments, New Quebec Raglan, Coldstream, Bluemount and Grand Bahama Development. Of the total assets of $52,767,000, $36,409,000 represents non-income producing assets. These assets have very good overall potential for the future and your Company expects to see benefits accrue from them in the next few years.

At December 31, 1972 the quoted market value of marketable securities included in Current Assets and those included in Investments were $9,782,000 and $8,447,000 respectively. The comparative figures as of March 15, 1973 were $12,500,000 and $11,200,000 respectively."

Mogul of Ireland Limited

"Operating profit for the year of the Company's 75% owned subsidiary was $8,374,000. After deducting interest charges on long-term debt, royalties, depreciation and amortization charges, net profit amounted to $6,109,000. Results for the year, the best realized since the commencement of production in 1968, were achieved despite a reduction in mill throughput to approximately 81% of normal caused by a plant fire and temporary national power shortages.

$6,500,000 First Mortgage Bonds and a $1,000,000 subordinated loan were retired during the year leaving Mogul of Ireland free of long-term debt at the year end. In the fifty-five month period since mill start-up in May, 1968 to the end of 1972, Mogul of Ireland has been able to redeem well in advance of maturity its entire long-term indebtedness in the original aggregate amount of approximately $21,000,000."

Ore Reserves

"Total broken and in-place proven and indicated ore reserves including dilution at year end were 8,420,000 tons grading 2.73% lead and 7.05% zinc. Ore reserves showed a depletion of 660,000 tons after the milling of 813,109 tons.

Details of ore reserves are as follows:

Ore Body		Tons	% Lead	% Zinc
Proven:	Upper "G"	4,346,000	2.03	8.34
	Lower "G"	1,377,000	3.48	4.75
	Total "G"	5,723,000	2.38	7.46
Indicated:	"B" Zone	2,634,000	3.49	6.07
	Total	8,357,000	2.73	7.03
	Broken	63,000	2.56	9.65
	Grand Total:	8,420,000	2.73	7.05

Included in the above tonnage is approximately 1,842,000 tons grading 2.44% lead and 7.44% zinc contained in permanent pillars and other unmineable areas currently classified as unrecoverable. It is likely, however, that when current ore reserves become depleted towards the end of the life of the mine, some portion of this tonnage may be profitably extracted."

Australian Operations

"During the year the Company acquired shares in the capital of Pine Vale Mines Limited establishing its interest at 47.7% of the issued shares. Pine Vale increased its interest in Beaver Exploration Australia N.L. and now holds 57.6% of the issued shares. Pine Vale also holds 57.6% of the issued shares of Otter Exploration N.L. Pine Vale, Beaver and Otter are referred to as the "Pine Vale Group".

The Company has invested approximately $3,465,000 (net of gain on share sales) in the acquisition of effective control of the Pine Vale Group. As at December 31, 1972 the Pine Vale Group had working capital including marketable securities and investments both at market value of $14,394,000 and long-term debt of $596,000. The Pine Vale Group is engaged in exploration and development of mineral and oil and gas properties in Australia, Papua and New Zealand. Its total exploration budget for 1973 has been set at a minimum of $1,700,000 to be financed from working capital of the Pine Vale Group.

Woodside-Burmah Oil N.L.

The principal asset of the Pine Vale Group consists of an investment in approximately 1.49% of the fully paid and partly paid shares in the capital of Woodside-Burmah, an oil and gas exploration and development company which holds a 50% interest in approximately 143,000 square miles of off-shore oil and gas exploration concessions on the North West Shelf of Australia. Woodside-Burmah must select half this acreage by the end of 1975. The other half will then revert to the Crown. The acreage reverting to the Crown need not include the reserves referred to below.

In December, 1972 Woodside-Burmah announced it has a 50% interest in proven and probable reserves in the North Rankin pool of 18.5 trillion cubic feet in place which, using a recovery factor of 55%, would be equivalent to 10.2 trillion cubic feet of natural gas reserves. Woodside-Burmah also indicated that it has a 50% interest in other fields in this area, namely Rankin, Goodwyn and Angel, which would likely add a further 10 trillion cubic feet of recoverable proven and probable reserves. Woodside-Burmah has also made a gas discovery at Scott Reef, 600 miles northeast of the other four pools. By comparison the Canadian Petroleum Association has reported that as at December 31, 1971, total Canadian proven and probable gas reserves were 62 trillion cubic feet. In addition to these major gas discoveries, Woodside-Burmah has had oil flow from three wells. These wells were Rankin No. 1, Eaglehawk No. 1 completed in December, 1972 and Goodwyn No. 3 completed in February, 1973. None of these discoveries is considered commercial although each is encouraging from a geological standpoint.

In addition to Australia, the principal markets for the gas will probably be Japan and the United States where (subject to Australian government approval) the gas would be sold as liquid natural gas or methanol.

Currently there are three off-shore drilling rigs being used on Woodside-Burmah's holdings. Woodside-Burmah and its joint venturers have announced that they plan to spend approximately $85,200,000 on these properties in the next two years."

Exploration

"In addition to the mineral exploration programmes of Mogul of Ireland and the Australian Pine Vale Group, International Mogul is conducting exploration programmes, principally for base metals, on its own behalf and in participation with others in Ireland, the United States, Canada, Wales, and Continental Europe. The 1973 exploration budget, excluding Mogul of Ireland and the Pine Vale Group, has been set at approximately $800,000."

Nova Scotia—Lake Ainslie Project

"The Company owns or has certain rights to 135 contiguous mineral claims comprising 5,400 acres in Inverness County, Cape Breton Island. The surface exploration programme which commenced in 1971 was completed in 1972. The purpose of this programme, which included diamond drilling, was to enlarge the ore potential existing on the property. Approximately 4,500,000 tons of material grading an average of 33.37% barite and 17.42% fluorite has been drill indicated. Metallurgy and cost studies are continuing to determine the economic viability of this project."

Continental Europe

"Commencing in 1973 the Company plans to spend up to $1,000,000 over a three year period in mineral exploration in Continental Europe, including Spain and Portugal."

INTERNATIONAL MOGUL MINES LIMITED
(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

December 31, 1972
(with comparative figures at December 31, 1971)

Assets	1972	1971 (Note 9(a))
CURRENT ASSETS		
Cash and short-term deposits	$ 5,032,000	$ 1,797,000
Accounts receivable	1,980,000	1,087,000
Marketable securities, at lower of cost and market (quoted market value 1972, $9,782,000; 1971, $389,000)	6,072,000	380,000
Concentrates on hand and in process of settlement, at net realizable value	2,569,000	2,413,000
Inventories, at cost	1,457,000	1,250,000
Prepaid expenses and deposits	201,000	45,000
	17,311,000	6,972,000
INVESTMENTS (note 2)		
Shares with quoted market value (quoted market value 1972, $8,447,000; 1971, $12,057,000)	9,881,000	10,193,000
Shares without quoted market value and advances	3,311,000	2,291,000
	13,192,000	12,484,000
FIXED ASSETS (note 3)	11,749,000	11,976,000
MINING CLAIMS AND RIGHTS		
Cost	667,000	664,000
Deferred exploration and development	3,741,000	2,340,000
	4,408,000	3,004,000
DEFERRED PREPRODUCTION EXPENDITURES and other charges, amortized value (note 3)	6,107,000	7,033,000
	$52,767,000	$41,469,000

Approved by the Board:

"D. W. Knight", Director

"R. D. Bell", Director

Liabilities

	1972	1971 (Note 9(a))
CURRENT LIABILITIES		
Bank loans, secured by certain investments	$ 3,662,000	
Accounts payable and accrued liabilities	2,519,000	$ 2,827,000
Royalties payable	410,000	206,000
Income taxes payable (note 4)	157,000	
Current portion of long-term debt	190,000	70,000
	6,938,000	3,103,000
LONG-TERM DEBT (note 5)	929,000	7,022,000
INTERESTS OF MINORITY SHAREHOLDERS (note 6)	12,314,000	3,362,000

Shareholders' Equity

	1972	1971
CAPITAL STOCK (note 7)		
Authorized—4,000,000 Common Shares without par value		
Issued— 2,607,112 Common Shares	11,061,000	11,061,000
CONTRIBUTED SURPLUS	2,028,000	2,028,000
RETAINED EARNINGS	19,497,000	14,893,000
	32,586,000	27,982,000
	$52,767,000	$41,469,000

Auditors' Report

To the Shareholders of INTERNATIONAL MOGUL MINES LIMITED

We have examined the consolidated balance sheet of International Mogul Mines Limited, its subsidiaries and certain effectively controlled companies as at December 31, 1972 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 26, 1973.

Thorne Gunn & Co.
Chartered Accountants

Consolidated Statement of Income and Retained Earnings

Year ended December 31, 1972
(with comparative figures for 1971)

	1972	1971 (Note 9(a))
REVENUE		
From production of concentrates	$16,014,000	$11,906,000
Sale of manufactured goods	870,000	605,000
	16,884,000	12,511,000
EXPENSE		
Cost of concentrate production	7,184,000	6,369,000
Cost of manufactured goods sold	665,000	448,000
Depreciation, depletion and amortization (note 3)	1,781,000	1,704,000
Royalty expense (note 3)	394,000	75,000
Administrative and general expense	964,000	709,000
Interest on long-term debt	309,000	618,000
General exploration and property maintenance	103,000	102,000
Exploration expenditures and related costs on mining claims abandoned	72,000	143,000
	11,472,000	10,168,000
	5,412,000	2,343,000
OTHER INCOME (NET)		
Interest	141,000	181,000
Gain on currency revaluations	378,000	335,000
Gain on investments and marketable securities	257,000	264,000
	776,000	780,000
Income before interests of minority shareholders and extraordinary items	6,188,000	3,123,000
Interests of minority shareholders in net income of subsidiaries	1,757,000	761,000
Income before extraordinary items	4,431,000	2,362,000
Extraordinary items (note 8)	173,000	(1,409,000)
NET INCOME FOR THE YEAR	4,604,000	953,000
Retained earnings at beginning of year	14,893,000	13,940,000
RETAINED EARNINGS AT END OF YEAR	$19,497,000	$14,893,000
EARNINGS PER SHARE		
Before extraordinary items	$1.70	$0.91
Net income for the year	$1.77	$0.37

Consolidated Statement of Source and Application of Funds

Year ended December 31, 1972
(with comparative figures for 1971)

	1972	1971 (Note 9(a))
SOURCE OF FUNDS		
Income before interests of minority shareholders and extraordinary items	$ 6,188,000	$ 3,123,000
Add items not involving current funds		
Depreciation, depletion and amortization	1,781,000	1,704,000
Other	55,000	182,000
	8,024,000	5,009,000
Extraordinary net realized gain (loss) on investments	773,000	(93,000)
Cost of investments sold	1,144,000	318,000
Increase in working capital arising from acquisition of interest in Pine Vale Group	4,992,000	
Incentive grants	92,000	39,000
Other	31,000	26,000
	15,056,000	5,299,000
APPLICATION OF FUNDS		
Reduction of long-term debt	6,569,000	5,117,000
Investment in shares and advances	1,145,000	2,974,000
Purchase of fixed assets	306,000	789,000
Exploration expenditures deferred	338,000	661,000
Deferred preproduction expenditures	34,000	317,000
Other	160,000	7,000
	8,552,000	9,865,000
Increase (decrease) in working capital	6,504,000	(4,566,000)
Working capital at beginning of year	3,869,000	8,435,000
WORKING CAPITAL AT END OF YEAR	$10,373,000	$ 3,869,000

Notes to Consolidated Financial Statements

Year ended December 31, 1972

1. Basis of Consolidation

(a) Subsidiaries Consolidated

The consolidated statements include the accounts of all the Company's subsidiaries, the principal ones being:

	% Owned	Accounts Expressed in
Mogul of Ireland Limited	75	£ Sterling
I. M. M. (Trading) Pty. Limited	100	$ Australian
Lorado of Bahamas, Limited	100	$ United States
I. M. M. Ventures Limited	100	$ Canadian

(b) Foreign Currency Translation

In these financial statements, current assets, current liabilities and long-term debt have been translated at the prevailing rates of exchange as at December 31, 1972 and 1971 respectively. Other assets have generally been translated at the average rate of exchange for the years in which they were acquired. Income and expense items have been translated at the average rate of exchange during each year, except that depreciation, depletion and amortization are translated at the same rates as related assets.

The assets, other than current assets, of the Pine Vale Group have been translated from Australian to Canadian dollars at the average rate of exchange for 1972 prior to revaluation of the Australian dollar on December 23, 1972.

(c) I. M. M. (Trading) Pty. Limited and the Pine Vale Group

The consolidated balance sheet of I. M. M. (Trading) Pty. Limited includes, on a fully consolidated basis, a 47.7% owned company, Pine Vale Mines Limited, and its subsidiaries (Pine Vale Group). The Pine Vale Group of companies is included in the 1972 consolidated balance sheet to more accurately reflect the overall financial position of the Company. The inclusion of these companies is in accordance with the recent recommendations of The Canadian Institute of Chartered Accountants.

I. M. M. (Trading) Pty. Limited acquired its 47.7% interest in Pine Vale from time to time during the period May to December, 1972 by an exchange of shares of another company and by open market purchases. The acquisition was accounted for as a purchase effective December 31, 1972 and accordingly the results of the operations of the Pine Vale Group for 1972 have not been included in these consolidated financial statements. The excess of $543,000 of cost of acquisition of the Pine Vale shares over book value has been attributed to the cost of the substantial investment of the Pine Vale Group in Woodside-Burmah Oil N.L.

The Pine Vale Group includes fifteen subsidiaries, the principal ones being Beaver Exploration Australia N.L. (57.5% owned) and Otter Exploration N.L. (56.5% owned).

Details of the acquisition of the Pine Vale Group are as follows:

Net assets acquired:	
Proportion of net assets at book value	$3,694,000
Adjustment to fair value	543,000
	$4,237,000

Consideration given:	
Cash	$2,461,000
Exchange of 15,176,000 shares of another company	1,776,000
	$4,237,000

2. Investments

Investments in shares are valued at cost or less depending upon the underlying value of the investment and the quoted market value. In some instances investments are valued in excess of quoted market value. At December 31, 1972 the book value of shares with quoted market value exceeded the aggregate market value by $1,434,000. At December 31, 1971 the aggregate market value exceeded the book value of shares by $1,864,000.

Because of the large blocks of shares held in certain companies the quoted market values are not necessarily indicative of the value of the investments, which may be more or less than indicated by market quotations.

3. Fixed Assets

(a) Summary

	1972	1971
In Ireland, at cost		
Mineral leases and rights	$ 1,806,000	$ 1,806,000
Land, buildings, plant and equipment	11,458,000	11,299,000
In Canada, at cost or less than cost		
Land, buildings, plant and equipment	2,256,000	2,216,000
In Australia, at cost		
Land, buildings, plant and equipment	1,152,000	55,000
	16,672,000	15,376,000
Less accumulated depreciation and depletion	4,923,000	3,400,000
	$11,749,000	$11,976,000

(b) Depreciation, Depletion and Amortization Policy

Mogul of Ireland Limited provides for depreciation of fixed assets, depletion of mineral leases and rights and amortization of deferred preproduction expenditures and other charges on a straight line basis. These assets will be written off over the life of the mine, based on ore reserves established from time to time except for certain fixed assets whose life is estimated to be shorter than that of the mine.

The Canadian and Australian fixed assets are depreciated on a straight line basis at the following rates:

Buildings	2½% and 5%
Plant and equipment	10% to 33⅓%

(c) Mineral Leases and Rights

Mineral rights to the Silvermines property in Ireland were acquired in various parcels either by outright purchase or by lease and sub-lease from the Republic of Ireland and others. Some leases and sub-leases call for the payment of royalties under certain conditions upon commencement of production. The mineral rights leased from the Republic, which comprise about 40% of the remaining G Zone orebody, are leased until December 1, 1995 subject to the payment of an annual royalty ranging from 4% to 10% of the profits therefrom.

4. Income Taxes

The Company has no taxable income for 1972 and has undepreciated capital cost, exploration and development expenditures and other allowances available to offset future income. No provision for income taxes is required for Mogul of Ireland Limited on income from mining operations until 1988. Income taxes of $157,000 are payable by the Pine Vale Group on earnings prior to the effective date of acquisition.

5. Long-term Debt

Long-term debt consists of:	1972	1971
7% First Mortgage Bonds		$6,500,000
8⅝% Secured Loan maturing 1976	$ 596,000	
8% Mortgage maturing 1979	179,000	182,000
7% Mortgage maturing 1981	206,000	223,000
12% Mortgage maturing 1975	138,000	187,000
	1,119,000	7,092,000
Less current portion included in current liabilities	190,000	70,000
	$ 929,000	$7,022,000

The rate of interest on the Secured Loan is adjusted in April and October of each year on the basis of the then prevailing six months Euro-dollar interest rate.

6. Interests of Minority Shareholders

Minority interests are attributable to the minority shareholders of:	1972	1971
Mogul of Ireland Limited	$ 4,621,000	$3,038,000
Pine Vale Group	7,385,000	
Other subsidiaries	308,000	324,000
	$12,314,000	$3,362,000

7. Stock Options

The Company has reserved 100,000 Common Shares under an incentive option plan for employees of the Company and its subsidiaries. Any such option granted is to be at a price of not less than 90% of the market value of the Common Shares at the date of grant. Options are in good standing for five years from the date of grant, exercisable on a cumulative basis as to 20% of the Common Shares optioned in any one year.

At December 31, 1972 options were outstanding to acquire 47,000 Common Shares at $17 per share and 10,500 Common Shares at $7.50 per share.

Subsequent to December 31, 1972, 860 Common Shares were issued under the stock option plan at $7.50 per share.

On February 13, 1973 options on 47,000 Common Shares at $17 were cancelled and options were granted covering 81,100 Common Shares at $12.50 per share.

Options are now outstanding as follows:

Year of grant	Option price per Common Share	No. of Common Shares	Expiry Date
1971	$ 7.50	9,640	October 1, 1976
1973	$12.50	81,100	February 12, 1978
		90,740	

8. Extraordinary Items

	1972	1971
Net realized gain (loss) on investments as shown on consolidated statement of source and application of funds	$ 773,000	$ (93,000)
Write down of investments which did not involve current funds		(1,316,000)
Allowance for possible decline in value of some venture capital projects	(600,000)	
As shown on consolidated statement of income and retained earnings	$ 173,000	$(1,409,000)

9. Other Information

(a) Reclassification and Restatement

Certain figures have been reclassified and/or restated on the basis of 1972 consolidated financial statement presentation.

In particular certain subsidiaries not consolidated in 1971 have been included in the consolidation for 1972 and the figures for 1971 have been restated. The significant effects of restatement are to increase working capital at December 31, 1971 by $201,000 and to decrease net income for the year and retained earnings at end of year by $135,000 and $193,000 respectively.

(b) Remuneration

Direct remuneration of the Company's directors and senior officers (as defined in The Business Corporations Act) from the Company and its subsidiaries was $352,000 in 1972 ($322,000 in 1971).

10. Subsequent Events

(a) On March 23, 1973 the directors of the Company approved a policy of paying dividends semi-annually and declared a dividend of 12½¢ per Common Share payable July 1, 1973 to Shareholders of record June 1, 1973.

(b) On March 26, 1973 the directors of the Company authorized the amendment of the Articles of the Company to increase its authorized capital by creating 1,000,000 First Preference Shares with a par value of $20 each.

(c) On the same date the Company signed a letter of intent which provided for the sale and issuance of up to $6,000,000 of Cumulative Redeemable Convertible First Preference Shares Series A with a par value of $20 each.

General Comments

The operations of City Associated Enterprises Limited continued at a satisfactory rate during 1972. Net profit for the year declined to 14¢ per share compared to 17¢ per share in 1971. This decrease in profits is partially related to the reduction in sales volume to about 94.5% of the 1971 level.

An analysis of results for 1972 showed significant trends. The decrease in sales volume was most apparent during the first eight months of the year. The last four months showed first a gradual improvement in sales to the comparable level of 1971 and then a slow but steady increase over the 1971 rate.

The reasons for the lower level of sales in the first part of the year were many. The results of the general election held in September 1972, which gave a mandate for the Commonwealth of the Bahamas to assume independence on July 10, 1973, appears to have removed some of the uncertainties which prevailed. Management is therefore optimistic that an increase in sales and earnings can be expected this year as the economy of the Bahamas improves.

City Associated continues to operate seven of its own retail outlets on Grand Bahama Island. The dry cleaning business of Spotless Cleaners, in Nassau, in which City Associated has a 75% interest, made a substantial contribution to profits during 1972.

City Associated is expanding its activities in partnership with Société Commerciale De L'Ouest Africain (S.C.O.A.), a large French merchandising company. In 1971, S.C.O.A. and City Associated acquired all the issued shares of Solomon's Mine Limited and in 1972 participated through Crystal Seas Enterprises Limited in the construction of a European department store in the International Bazaar in Freeport. City Associated has a 40% interest in Solomon's Mine and a 25% interest in Crystal Seas.

Solomon's Mine, an old established Bahamian company specializing in luxury gifts, operates seven stores, three in Nassau and four in Freeport. The redecoration of some of these locations and injection of new product lines resulted in sales being up to budget. This company returned a reasonable profit in the first year of operation under the joint management with S.C.O.A.

The projected autumn opening of the European department store in the International Bazaar, Freeport was delayed due to construction problems and it was officially opened on March 7, 1973. It is expected that this new addition to the International Bazaar will be very popular and management anticipates a good return on investment in future years. We are very pleased with our association with S.C.O.A.

Bahamas Enterprise Trading Companies Overseas Limited, in which City Associated holds a 20% interest, experienced another profitable year and a modest dividend was received from this source during 1972. Management expects this trend to continue during 1973.

City Associated reduced its long-term debt significantly in 1972. In February 1973 new arrangements were finalized with its bankers which allowed a consolidation of debts. This should permit City Associated to declare its first dividend in early 1974.

INTERSCAN LIMITED

General Comments

The operations of Interscan Limited, in which your Company has a 75% interest, improved dramatically during 1972. We are pleased to report that the Interscan Group attained a profit of $163,000 during 1972 compared to a loss of $1,055,000 during 1971. Management is confident that operations will continue to grow from the base firmly established in 1972 and that a further increase in earnings will be achieved in 1973.

As is shown in the accompanying financial statements sales increased from $2,220,000 in 1971 to $6,502,000 in 1972. The sales forecasted for the Interscan Group for 1973 are in excess of $7,500,000 and a healthy cash flow is indicated commencing in the last half of this year. This cash flow will allow Interscan to reduce its overall debt position and decrease the effect of interest expense on earnings. Interest on loans in 1972 totalled $195,000. The Toronto-Dominion Bank, London, England is now assisting the Group by providing necessary bridge financing for systems being sold in the United Kingdom.

Interscan continues to market a range of advanced products designed to improve efficiency of data entry into computer systems.

Among these products are optical page and document readers, high speed optical journal tape readers and optical mark sense readers. Data entry systems requiring physical transcription of data to computer language are handled by Interscan's System 2100 key to disc units. These systems are attractive to users of eight or more key punches and offer substantial improvement in operator economics combined with significant systems benefits. System 2100 can be programmed by the user and provides for some or all of the main editing and validation routines to be performed at the point of key entry. Interscan has installed in excess of one thousand System 2100 terminals.

Interscan provides a comprehensive range of supporting services to users of its equipment. These include systems analysis and design, programming and customer engineering. These services are of the highest standard and are a major factor in the successful marketing of its equipment. In 1972 Interscan sold its systems to prominent insurance companies and banks and to various government departments in the United Kingdom, West Germany and Hungary.

An indication of Interscan's successful marketing ability is best illustrated by its increasing sales and order backlog. In the current year to March 15, the Group had installed or had orders on hand for systems for delivery aggregating $2,927,000 which is considerably higher than in the same period in the preceding year.

INTERSCAN LIMITED
(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

December 31, 1972
(with comparative figures at December 31, 1971)

Assets	**1972**	**1971**
CURRENT ASSETS		
Cash	$ 68,000	$ 142,000
Accounts receivable and prepaid expenses	1,178,000	428,000
Deposits on computer equipment (note 2)		88,000
Income taxes recoverable		4,000
Inventory of systems, at lower of cost and net realizable value	201,000	
	1,447,000	662,000
INVESTMENT IN AND ADVANCES TO OTHER COMPANIES, at cost less amounts written off	16,000	
FIXED ASSETS, at cost		
Automotive equipment	59,000	96,000
Computer input equipment	157,000	
Other equipment and furniture	136,000	100,000
	352,000	196,000
Less accumulated depreciation (note 3)	107,000	72,000
	245,000	124,000
OTHER ASSETS		
Inventory of systems, at lower of cost and net realizable value	26,000	378,000
Inventory of spare parts, at cost or less	284,000	187,000
Deposit as surety on guarantee (note 4)	163,000	177,000
Distribution franchise, at cost less amortization (note 5)	31,000	52,000
Due from shareholder (note 6)	24,000	24,000
	528,000	818,000
	$2,236,000	$1,604,000

Approved by the Board:

"D. W. KNIGHT", Director

"R. D. BELL", Director

Liabilities

	1972	1971
CURRENT LIABILITIES		
Bank advances, secured (note 7)	$ 558,000	
Accounts payable and accrued liabilities	491,000	$ 515,000
Customers' deposits (note 2)	62,000	129,000
Advances from parent company (note 7)		1,064,000
Advances from associated company	864,000	941,000
Income taxes payable	3,000	3,000
	1,978,000	2,652,000
LONG-TERM DEBT		
Advances from parent company (note 7)	1,143,000	

Capital Stock and Deficit

	1972	1971
CAPITAL STOCK		
Authorized—1,000,000 shares without par value		
Issued — 157,665 shares	360,000	360,000
DEFICIT	1,245,000	1,408,000
	(885,000)	(1,048,000)
	$2,236,000	$1,604,000

Auditors' Report

To the Shareholders of
INTERSCAN LIMITED

We have examined the consolidated balance sheet of Interscan Limited and its subsidiaries as at December 31, 1972 and the consolidated statements of income and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 26, 1973.

Thorne Gunn & Co.
Chartered Accountants

Consolidated Statement of Income and Deficit

Year ended December 31, 1972
(with comparative figures for 1971)

	1972	1971
Sales	$6,502,000	$2,220,000
Cost of sales	4,450,000	1,561,000
Gross profit	2,052,000	659,000
Commission income	114,000	19,000
	2,166,000	678,000
Selling expense	558,000	437,000
Engineering expenses	574,000	369,000
Systems and programming expenses	401,000	155,000
Administration expenses	502,000	382,000
Depreciation	82,000	48,000
Amortization of franchises	21,000	21,000
Interest on advances from parent company	79,000	134,000
Interest on advances from associated company	116,000	
Write-down of inventory of systems		106,000
	2,333,000	1,652,000
Less maintenance income	332,000	153,000
	2,001,000	1,499,000
Income (loss) before income taxes and extraordinary item	165,000	(821,000)
Income taxes	2,000	9,000
Income (loss) before extraordinary item	163,000	(830,000)
Write down of investment in and advances to another company		225,000
NET INCOME (LOSS) FOR THE YEAR	163,000	(1,055,000)
Deficit at beginning of year	1,408,000	353,000
DEFICIT AT END OF YEAR	$1,245,000	$1,408,000

Consolidated Statement of Source and Application of Funds

Year ended December 31, 1972
(with comparative figures for 1971)

	1972	1971
SOURCE OF FUNDS		
Net income for the year	$ 163,000	
Items not involving current funds		
Depreciation	82,000	
Amortization of franchises	21,000	
	266,000	
Inventory of systems	352,000	
Long-term debt	1,143,000	
Recovery of deposit as surety on guarantee	69,000	
	1,830,000	Nil
APPLICATION OF FUNDS		
Loss before extraordinary item		$ 830,000
Items not involving current funds		
Depreciation		48,000
Amortization of franchises		21,000
Write down of inventory of systems		106,000
		175,000
		655,000
Fixed assets	203,000	96,000
Inventory of systems		183,000
Inventory of spare parts	97,000	30,000
Deposit as surety on guarantee	55,000	15,000
Investment in and advances to another company	16,000	10,000
	371,000	989,000
Less deposits on computer equipment applied to operations or inventory		63,000
	371,000	926,000
Increase (decrease) in working capital position	1,459,000	(926,000)
Working capital deficiency at beginning of year	1,990,000	1,064,000
WORKING CAPITAL DEFICIENCY AT END OF YEAR	$ 531,000	$1,990,000

Notes to Consolidated Financial Statements

December 31, 1972

1. Basis of Consolidation

The consolidated financial statements include the accounts of all the company's subsidiaries, all of which are wholly owned, as follows:

Intercontinental Data Systems Limited
Interscan Data Systems Limited
Interscan Data Systems A. G.
Interscan Data Systems (U.K.) Limited
Interscan GmbH

Translation of the accounts of foreign subsidiaries is as follows:

(1) Current assets and current liabilities, at the prevailing rates of exchange as at the balance sheet date.

(2) Fixed and other assets, income and expenses, at the average rates of exchange for the period that the assets were acquired and the income earned, except for certain transactions where the actual known cost in Canadian Dollars has been used.

2. Deposits on Computer Equipment

The companies' policy is to include such deposits under "Other Assets" until such time as sales agreements are arranged, when they are transferred to current assets.

Customers' deposits are included in current liabilities until sales are completed.

3. Depreciation

Fixed assets are depreciated on a straight line basis at the following rates:

Automotive equipment	25%
Computer input equipment	15% to 20%
Other equipment and furniture	10% to 33⅓%

4. Deposit as Surety on Guarantee

In connection with the sale of certain equipment in 1969, £60,000 ($145,000) was deposited to secure repurchase obligations under certain conditions. This deposit, which bears interest at 10% per annum, is repayable in monthly instalments commencing June 1, 1973, sufficient to repay the full amount not later than August, 1974. Other similar deposits are repayable over a period commencing not later than July, 1975.

5. Distribution Franchise

The Western Europe franchise for the distribution of Scan-Data optical character recognition systems is recorded as follows:

	1972	1971
Cost	$104,000	$104,000
Accumulated amortization	73,000	52,000
	$ 31,000	$ 52,000

The cost of the franchise is being amortized on a straight line basis over its five year term.

Other distribution franchises in respect of products of General Computer Systems Inc., Almex A.B. and Optical Scanning Corporation did not involve any initial cost.

The franchise agreements contain provisions for termination if certain numbers of units are not purchased by specified dates.

6. Due from Shareholder

The amount due from a shareholder is receivable from a former officer of the company in respect of his subscription to shares of the company and of advances made to him. This shareholder has filed suit against the company in respect of amounts alleged to be owing to him for salaries and expenses and for damages for wrongful dismissal. The company denies the allegations, and has filed countersuit to collect the amount owing to it. The collectibility of the amount receivable depends on the outcome of the litigation.

7. Advances from Parent Company—Coldstream Mines Limited

By agreement dated March 26, 1973 Coldstream Mines Limited agreed to continue to provide the Company with financial support as follows:

(a) To make advances as required up to a maximum of $1,500,000, including the present advances and present and future accrued interest, until June 30, 1974. The rate of interest on such advances which is now 10½% will be adjusted on September 26, 1973 and March 26, 1974 and will be at a rate 2% above the then prevailing Euro-dollar six month interest rate;

(b) to guarantee bank advances not to exceed $750,000 to June 30, 1974 for temporary financing in respect of sale of all computer input systems in Europe provided acceptable financing has been arranged by purchasers to pay for the systems within 90 days of unconditional acceptance of the systems by the purchasers and

(c) to continue its guarantee of advances from an associated company directly to Interscan until December 31, 1973, which advances at December 31, 1972 amounted to $864,000.

8. Income Taxes

Certain of the subsidiary companies are subject to income taxes on their separate incomes, which cannot be offset for tax purposes by the losses of the parent company or of any other subsidiary.

9. Other Information

Direct remuneration of the company's directors and senior officers (as defined by The Business Corporations Act) from a subsidiary of the company was $42,000 (1971, $42,000).

Directors

R. D. Bell, C.A., *Toronto, Ontario*
Vice-President, Finance of International Mogul Mines Limited

P. S. Cross, B.A.Sc., *Toronto, Ontario*
Vice-President, Mining Operations of International Mogul Mines Limited

D. W. Knight, *Toronto, Ontario*
Chairman of the Board and Chief Executive Officer of International Mogul Mines Limited

F. C. Knight, B.Sc., *Toronto, Ontario*
Mining Engineer employed by International Mogul Mines Limited

A. B. Lash, *Toronto, Ontario*
Manager of Computer Operations, Draper Dobie & Company Limited

G. D. Pattison, C.A., *Aurora, Ontario*
Vice-President and Secretary of International Mogul Mines Limited

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F. Gerald Townsend, F.C.A., *Mississauga, Ontario*
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Counsel
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Guaranty Trust Company of Canada, Toronto

Bankers
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Listing
The Toronto Stock Exchange

Head Office
34 Adelaide Street West, Toronto, Ontario
M5H 1L8